

# AGENCY SUBCOMMITTEE GROUPINGS

---

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

## GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

Legislative Branch  
Consumer Counsel  
Judiciary  
Governor's Office  
Secretary of State  
Commissioner of Political Practices  
State Auditor  
Transportation  
Revenue  
Administration  
Consensus Council  
Appellate Defender Commission  
Montana Consensus Council  
Office of the Public Defender

## HEALTH AND HUMAN SERVICES (Section B)

Public Health and Human Services

## NATURAL RESOURCES AND COMMERCE (Section C)

Fish, Wildlife, and Parks  
Environmental Quality  
Livestock  
Natural Resources and Conservation  
Agriculture  
Commerce

## CORRECTIONS AND PUBLIC SAFETY (Section D)

Crime Control Division  
Justice

## CORRECTIONS AND PUBLIC SAFETY (continued)

Public Service Regulation  
Corrections  
Labor and Industry  
Military Affairs

## EDUCATION (Section E)

Office of Public Instruction  
Board of Public Education  
School for the Deaf and Blind  
Commissioner of Higher Education  
Community Colleges  
University Units and College of Technology  
Agricultural Experiment Station  
Extension Service  
Forestry and Conservation Experiment Station  
Bureau of Mines & Geology  
Fire Services Training School  
Montana Arts Council  
State Library Commission  
Montana Historical Society

## LONG-RANGE PLANNING (Section F)

Long-Range Building Program  
State Building Energy Conservation  
Treasure State Endowment Program  
Treasure State Endowment Regional Water System  
Renewable Resource Grant & Loan Program  
Reclamation & Development Grant Program  
Cultural and Aesthetic Grant Program

# **APPROPRIATIONS BY AGENCY AND PROGRAM (ROAD MAP)**

---

This summary of the layout and composition of the “Appropriations by Agency and Program” section is designed to provide the reader with a “road map” for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

## **BUDGET TIERS**

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

1. Base budget, which is defined as “that level of funding authorized by the previous legislature”.
2. Present law budget, defined as “that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature”.
3. New proposals, which are “requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding...”.

(For a further explanation of these tiers and how they are derived, see page 1 of the “Reference” section in Volume 1, or the publication entitled “Understanding State Finances and the Budgeting Process”, available through the Legislative Fiscal Division and on the Internet at <http://leg.mt.gov/css/fiscal/reports.asp>)

The fiscal report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2007 biennium agency budget.

## COMPONENTS OF THE FISCAL REPORT

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative.
2. The program narrative.

### ***Agency Narrative***

The agency narrative provides an overview of appropriations for the agency. Since the legislature appropriates at the program level, only discussion pertinent to the agency as a whole is included in this section. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the appropriation by year, including separate columns showing present law adjustments and new proposals. The reader can use this table to not only get a general idea of the size and funding of the agency, but also view any changes made.
2. **Agency Description** is a brief description of the agency.
3. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
4. **Summary of Legislative Action** provides additional information or overarching discussion.
5. **Agency Discussion** is used to discuss overarching issues or action of the legislature.
6. **Funding** is a table that shows the total biennium funding, by program and fund type. A further discussion of the individual fund types is included in the program narrative.
7. **Other Legislation** lists and discusses legislation having a fiscal impact on the agency.
8. **Executive Budget Comparison** is a table and related discussion that compares the proposed executive budget (as published by the Schweitzer administration on January 7) and final legislative action, and highlights the major differences.
9. **Reorganizations** details any major reorganization that took place in the 2005 biennium or is reflected in the 2007 biennium.
10. **Language** includes any agency-wide language adopted by the legislature.

Note: The main and executive budget comparison tables, the agency description and summary of legislative action, and the highlights and funding tables are included in each agency narrative. However, the other components are included only if circumstances warrant.

### ***Program Narrative***

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including the adjusted fiscal 2004 base used to derive the budget, the total present law adjustments, new proposals, and the total budget, by fiscal year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst.

5. **Funding** details program funding, including a brief description of the various types of funding used to support the program.
6. **Program Reorganization** details any program reorganizations that took place in the 2005 biennium or that were adopted by the legislature for the 2007 biennium.
7. The **Present Law Adjustments Table** delineates the major present law adjustments adopted by the legislature, by fiscal year and funding source. The table is divided into two sections:
  - o Statewide present law adjustments, which include most personal services adjustments, the vacancy savings applied, and adjustments due to fixed costs and inflation
  - o Other present law adjustments adopted by the legislature
8. **Executive Present Law Adjustments** discusses each adjustment in more detail.
9. The **New Proposals Table** shows each new proposal adopted by the legislature, by fiscal year and funding source.
10. **New Proposals** discusses each new proposal in more detail.
11. **Other Legislation** lists any legislation passed by the legislature of particular pertinence to the program.
12. **Language** recreates any program specific language adopted by the legislature.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate.

## STATEWIDE PRESENT LAW ADJUSTMENTS

“Statewide Present Law Adjustments” are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the “statewide” section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. There are four main categories of adjustments: 1) personal services; 2) vacancy savings; 3) inflation/deflation; and 4) fixed costs.

### *Personal Services*

Taking a “snapshot” of state employee positions and the factors determining compensation rates at a particular point in time derives budgeted personal services costs. A number of underlying factors will make the 2007 biennium personal services costs different from actual fiscal 2004 costs. The most important are:

- o Incorporation of the 2005 biennium pay plan adopted by the 2003 Legislature (the 2007 biennium pay plan is added in a new proposal)
- o Full funding of all positions
- o Elimination of all termination pay that may have been incurred in FY 2004
- o Incorporation of any upgrades or downgrades that occurred in FY 2004

In addition, some present law increases or decreases in FTE made by the previous legislature may be included in this portion of the table.

### ***Vacancy Savings***

The legislature adopted a 4 percent vacancy savings rate on all salaries and benefits, including insurance, for most positions. Exempted positions include university system faculty, and those in agencies with fewer than 20 full-time equivalent positions, the Judiciary, and the Legislative Branch. In addition, two programs within the Montana School for the Deaf and Blind were exempted.

### ***Inflation/Deflation***

The legislature inflated or deflated certain operating expenses. A complete listing of expenditure categories inflated or deflated has been included in the “Reference” section of Volume 1.

### ***Fixed Costs***

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as data network fees, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations are made through a change to the service agency budget, or to the allocation method used by the service agency. A complete listing of all fixed costs is included in the “Reference” section of Volume 1.

## AGENCY BUDGET HIGHLIGHTS

The following summarizes the main budget highlights of the 2007 biennium budget. Please note that the following discussion pertains to HB 2 and HB 447 (pay plan bill) expenditures only. These two bills appropriate over 88.8 percent of all general fund in the 2007 biennium.

As shown, the legislature adopted a general fund budget of \$2.6 billion, a \$342.7 million increase (14.9 percent) over the 2005 biennium, and a total funds budget of \$7.0 billion, an \$831.6 million increase (13.4 percent).

Legislative Budget by Program Area 2005 to 2007 Biennium				
--- General Fund ---				
Component	Legislative Budget	Increase Over 2005	Percent Increase	Percent of Increase
K-12 Education	\$1,115,460,655	\$86,483,151	8.4%	25.2%
Higher Education	314,315,075	36,329,071	13.1%	10.6%
Corrections	244,693,798	34,045,811	16.2%	9.9%
Human Services	624,553,985	104,042,786	20.0%	30.4%
All Other Government Agencies	341,440,413	81,839,922	31.5%	23.9%
Total	\$2,640,463,926	\$342,740,741	14.9%	
--- Total Funds ---				
Component	Legislative Budget	Increase Over 2005	Percent Increase	Percent of Increase
K-12 Education	\$1,415,916,924	\$106,751,386	8.2%	12.8%
Higher Education	435,373,210	43,868,823	11.2%	5.3%
Corrections	252,228,747	35,155,264	16.2%	4.2%
Human Services	2,736,632,805	501,832,784	22.5%	60.3%
All Other Government Agencies	2,196,784,984	144,013,783	7.0%	17.3%
Total	\$7,036,936,670	\$831,622,040	13.4%	

## PRIMARY BUDGET FACTORS

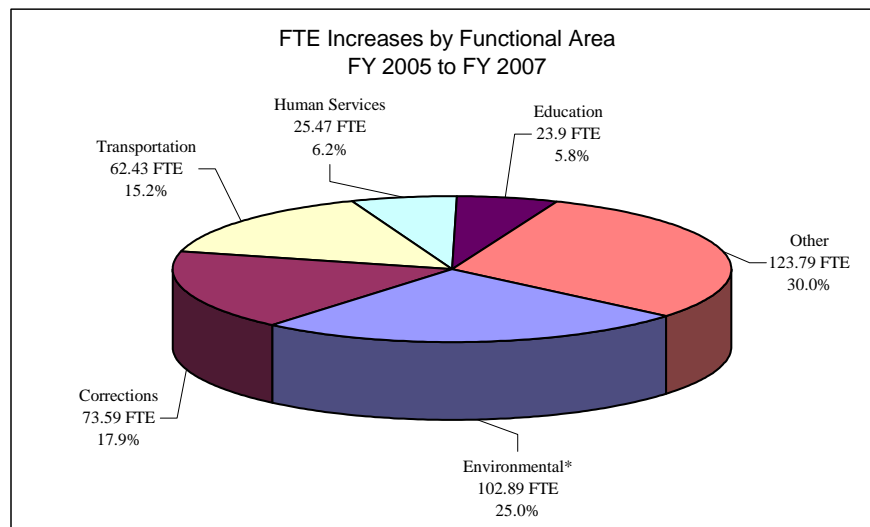
The following summarizes the primary factors causing the change in funding:

- General fund increases by \$342.7 million, or 14.9 percent, over the 2005 biennium. Major causes of the increase include the following:
  - Human services caseload and service changes, and an increase in the percentage of Medicaid costs the state must pay
  - Increased financial assistance, community and Tribal college assistance, and vocational technical equipment in the Montana University System, along with an increase in the percentage of general fund provided for operating costs
  - Expansions in the number of beds and payments to providers, as well as additional probation and parole officers, to address correctional population growth
  - K-12 education inflationary adjustments in Base Aid, as well as increases in a number of payments (i.e. special education), the per student entitlement for both elementary and high school students, and implementation of 3-year averaging for determining average number belonging

- Statewide present law adjustments
- Total funds would increase by \$831.6 million, or 13.4 percent. Human services is over 60 percent of this increase, due primarily to
  - Increases in Medicaid caseload and services
  - Medicaid redesign, which utilizes existing state resources to increase coverage
  - Continued use of various provider assessments (i.e. hospital tax) to increase federal funds
  - Additional food stamp costs and TANF activities

## FTE

An additional 412.07 FTE were added in FY 2007 over the FY 2005 level appropriated for by the 2003 Legislature. The following shows the allocation of the increase.

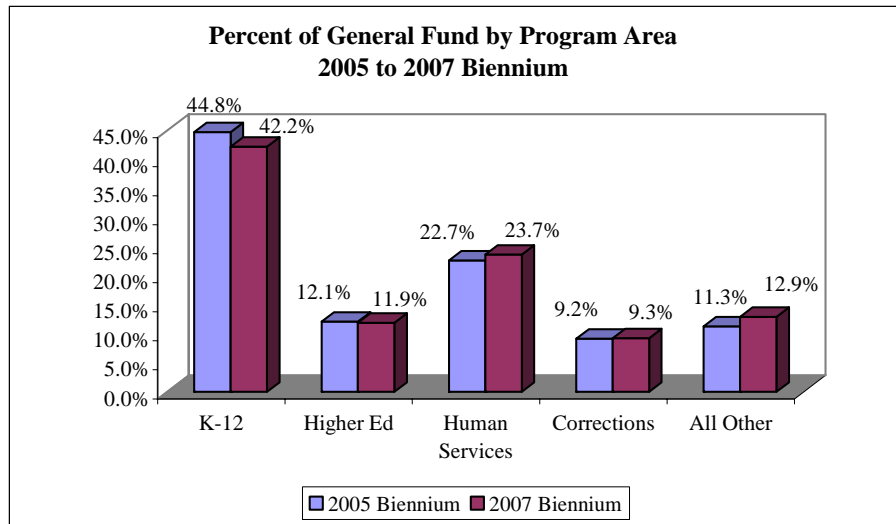


The increase in FTE is due primarily to:

- Provision of funds for additional fire fighting capacities, total maximum daily load activities, accelerated water adjudication, conversion of contract services to state FTE, and miscellaneous program editions in the three primary environmental agencies (Fish, Wildlife, and Parks; Environmental Quality; and Natural Resources and Conservation)
- Additional probation and parole officers and personnel to staff a new revocation center in the Department of Corrections
- A new Office of the Public Defender, which adds new FTE and receives a transfer of other FTE from local governments ("Other" category)
- FTE for the construction plan and to integrate financial management systems in the Department of Transportation

## COMPARISON OF PROGRAM AREAS

The following figure shows the allocation of general fund by program area for the 2007 biennium compared to the 2005 biennium.



## SOURCE OF FUNDING

The following figure illustrates that, slightly reversing a trend for a number of years, general fund is a slightly higher share of total funding due to an increase of almost 15 percent. This change is slight, however, as state special revenue and federal funds also increase by double digit amounts – 11.9 and 12.8 percent, respectively.

